

Weekly Market Bulletin

State of New Hampshire
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From Your Commissioner...

Federal Hearing on Fate of Farm Milk-Bottlers

USDA's Agricultural Marketing Service (AMS) is holding a public hearing in Cincinnati this week to receive and consider evidence on proposals to eliminate or amend the producer-handler provisions of the Federal Milk Marketing Orders. A producer-handler is a dairy farm that processes and sells milk produced by its own cows. New Hampshire has two: McNamara's Dairy in Plainfield and Hatchland Dairy in North Haverhill.

The Federal Milk Marketing Orders were established in the 1930s to stabilize market conditions for producers and consumers, and assure consumers of adequate supplies of pure and wholesome milk. Producer-handlers may sell products directly to consumers or to wholesale customers such as food stores, vendors, or institutions. Producer-handlers are exempt from Federal order pricing and pooling provisions, but must comply with reporting and other requirements. USDA counts a total of 40 producer-handler dairies in the Federal orders, plus an additional 41 exempt plants that include dairies producing some or all of their milk from their own cows. Some producer-handlers who meet the definition of exempt plant, including 150,000 pounds (about 17,400 gallons) or less in monthly sales of fluid milk products, prefer that less rigorous status.

USDA received proposals on January 30 from National Milk Producers Federation (representing many dairy farmer cooperatives) and International Dairy Foods Association (representing dairy processors) to eliminate the producer-handler provision in all Federal milk marketing orders, and increase the exempt plant provision up to 450,000 pounds (about 52,200 gallons) a month.

The move to cap exemptions is in response to growth of some very large producer-handler operations. Proponents assert that exempting these producer-handlers from pricing and pooling provisions has disrupted markets. Federal Order pricing and pooling assures that all producers shipping into an order region receive a share of the higher price assigned to fluid (bottled) milk sales. Producer-handler operations with tens of thousands of cows on multiple farms can undercut the competition on price, since they do not pay the higher fluid milk price differential to the pool—and farmers in the order receive lower pay prices.

Hein Hettinga of Yuma, Arizona owns Sarah Farms with 15 large dairies—believed to total well over 35,000 cows—from California to West Texas. His low-cost milk sales into California and other markets are hurting farmers and undercutting competing processors. Referring to the nation's largest processor and largest milk cooperative, Hettinga has described his business as "the pebble in the shoe of Dean Foods and DFA."

"Corporations such as Aurora Organic Dairy, which are currently claiming the exemption for producer-handlers, have caused catastrophic marketplace disruption in the organic dairy industry," reads a letter to Secretary of Agriculture Tom Vilsack from the Cornucopia Institute and a long list of organic dairy farmers, producer-handlers, and others. The letter contends the exemption was never meant to favor a "major privately-held corporation that is currently

disadvantaging family farmers nationwide.” With 12,000-19,000 cows on five dairies, Aurora holds a big chunk of the organic dairy market, supplying private-label milk to the likes of Wal-Mart, Costco, Target, and Safeway. “The majority equity control of Aurora is held by CharlesBank in Boston, an investment arm of the Harvard University endowment fund. This is as far a stretch from the original concept of a producer-handler as you can get.”

However, the limit proposed for exempt plants would leave Hatchland Dairy out in the cold. Howard Hatch and his daughter and son and their families milk 400 cows and market between 700,000 and 800,000 pounds a month. The McNamaras are under the proposed cap—for now. The New Hampshire Department of Agriculture, Markets & Food has filed an alternative proposal, joining in alliance with the states of Vermont, New York, Pennsylvania and Wisconsin. We propose keeping the producer-handler exemption, with a monthly cap of two million pounds, and raising the limit for exempt plants to 450,000 pounds. Farmers should have the opportunity to add value to their milk, and fulfill growing consumer demand for food from local farms.

Lorraine Merrill, Commissioner